

Message Text

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DEPARTMENT PASS FEDERAL RESERVE BOARD; TREASURY FOR
DONALD E. SYVRUD, OASIA

E.O. 11652: N/A
TAGS: ECON, UK
SUBJECT: ECONOMIC DEVELOPMENTS FOR PERIOD DEC. 15-21

SUMMARY: INFLATION CONTINUED TO EASE IN NOVEMBER WHILE
UNEMPLOYMENT REMAINS ON A PLATEAU AT 6.0 PERCENT. AVER-
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AGE EARNINGS ROSE SHARPLY IN OCTOBER BUT THE GROWTH IN
THE MONETARY AGGREGATES MODERATED IN THE LATEST BANKING
MONTH. HMTREASURY ANNOUNCED A DEGREE OF RELAXATION ON
EXCHANGE CONTROLS. STERLING STRENGTHENED AND FINANCIAL
MARKETS WERE GENERALLY BETTER. THIRD QUARTER GDP DATA
REVEALED CONTINUED SLACKNESS IN AGGREGATE DEMAND ALTHOUGH
CORPORATE PROFITS HAVE IMPROVED THEIR RELATIVE INCOME

SHARE. END SUMMARY

1. AVERAGE EARNINGS. AVERAGE EARNINGS ROSE BY AN UNEXPECTEDLY LARGE 1.6 PERCENT IN OCTOBER. THE INDEX OF AVERAGE EARNINGS (JAN. 1970 EQUALS 100) STOOD AT 294.6 COMPARED WITH A REVISED 290.1 IN SEPTEMBER. THIS BRINGS THE 12-MONTH RISE IN AVERAGE EARNINGS TO 9.5 P/C COMPARED WITH 9.0 PERCENT IN SEPTEMBER AND 8.0 PERCENT IN AUGUST. DATA IS NOW AVAILABLE FOR THE FIRST THREE MONTHS OF THE CURRENT PAY ROUND. DURING THIS PERIOD EARNINGS HAVE RISEN BY 2.8 PERCENT (11.3 PERCENT AT AN ANNUAL RATE). THIS FIGURE COMPARES WITH THE 2.2 PERCENT (8.8 PERCENT AT ANNUAL RATE) WHICH WAS ACHIEVED DURING THE FIRST 3 MONTHS OF THE PREVIOUS PAY ROUND. THE 1.5 PERCENT OCTOBER FIGURE WAS SURPRISING SINCE MANY PAY SETTLEMENTS HAD / BEEN DELAYED AS NEGOTIATORS WAITED FOR SOME INDICATION OF WHETHER SERIOUS BREACHES IN THE GOVERNMENT'S 10 PERCENT GUIDELINE WERE OCCURRING. THIS HAD BEEN DAMPENING THE INCREASES IN THE INDEX. AS THERE WERE NO PROMINENT BREACHES OF THE GUIDELINE IN OCTOBER, IT WAS EXPECTED THAT THE RELATIVELY DEPRESSED LEVEL OF ECONOMIC ACTIVITY WOULD HAVE PRODUCED A RELATIVELY SMALL RISE IN THE EARNINGS INDEX. THE DEPARTMENT OF EMPLOYMENT ATTRIBUTES THE RISE TO SOME DELAYED PHASE II SETTLEMENTS WHICH WENT INTO EFFECT IN OCTOBER AND WARNS AGAINST DRAWING ANY CONCLUSIONS ON THE BASIS OF ONE MONTH'S FIGURES. IT SHOULD

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BE NOTED THAT THE PROFILE OF PHASE II WAS FOR LARGER MONTHLY EARNINGS INCREASES TO BE BUNCHED BETWEEN OCTOBER AND MARCH.

RELATED TO THE EARNINGS FIGURES WAS THE AGREEMENT BY 1 MILLION LOCAL GOVERNMENT MANUAL WORKERS TO ACCEPT A PAY SETTLEMENT CALLING FOR A 10 PERCENT INCREASE IN EARNINGS. THIS SETTLEMENT MAY PROVIDE A MODEL FOR OTHER MANUAL WORKERS WHO, TOGETHER WITH THE LOCAL GOVERNMENT WORKERS, COMPRISE ABOUT AN EIGHTH OF THE LABOR FORCE. THE FOLLOWING TABLE PROVIDES THE LATEST EARNINGS DATA:

(JAN. 1970 EQUALS 100)		
PERCENT CHANGES FROM		
12 MONTHS EARLIER		
1977		
APRIL	283.1	11.0
MAY	286.2	10.2
JUNE	286.2	9.6
JULY	286.5	8.9

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AUGUST	288.7	8.0
SEPTEMBER R	290.1	9.0
OCTOBER P	294.6	9.5

P-PROVISIONAL; R-REVISED

2. UNEMPLOYMENT. UNEMPLOYMENT FELL FRACTIONALLY IN THE MONTH TO MID-DECEMBER AND ENDED 1977 HAVING INCREASED BY ABOUT 0.1 MILLION DURING THE YEAR. SEASONALLY ADJUSTED AND EXCLUDING SCHOOL LEAVERS, U.K. EMPLOYMENT STOOD AT 1.4281 MILLION (6.0 PERCENT) IN MID-DECEMBER, A DECLINE OF 4,800 FROM THE MID-NOVEMBER TOTAL OF 1.4329 MILLION
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(6.1 PERCENT). THE UNADJUSTED TOTAL WAS 1.4808 MILLION (6.3 PERCENT) WHICH REPRESENTED A DROP OF 18,272 FROM THE

NOVEMBER FIGURE OF 1.4993 MILLION (6.3 PERCENT). DECEMBER MARKS THE THIRD MONTH IN A ROW THAT THE SEASONALLY ADJUSTED FIGURE HAS SHOWN A MARGINAL DECLINE. THE UNADJUSTED FIGURES HAVE DECLINED BY OVER 150,000 SINCE PEAKING IN AUGUST. HOWEVER THIS IS LARGELY DUE TO SCHOOL LEAVERS BEING ABSORBED INTO THE LABOR FORCE EITHER ON THEIR OWN STEAM OR THROUGH VARIOUS GOVERNMENT JOB OR TRAINING PROGRAMS. COMPARING YEAR-END TOTALS (S.A.) UNEMPLOYMENT IN THE U.K. ROSE BY JUST OVER 0.1 MILLION BETWEEN DECEMBER 1976 AND DECEMBER 1977. THE UNEMPLOYMENT RATE ROSE FROM 5.6 TO 6.0 PERCENT. (FURTHER DETAILS FOLLOW SEPTTEL.)

3. RETAIL PRICES. RETAIL PRICES ROSE 0.5 PERCENT IN NOVEMBER. THE INDEX OF RETAIL PRICES (JAN. 1974 EQUALS 100) STOOD AT 187.4 COMPARED WITH AN OCTOBER FIGURE OF 186.5. THE NOVEMBER FIGURE CONTINUES THE PATTERN ESTABLISHED IN JULY WHEN THE MONTHLY RATE OF INCREASE FELL TO THE 0.4-0.5 PERCENT RANGE. DURING THE FIVE MONTHS SINCE JULY, RETAIL PRICES HAVE RISEN BY 2.0 PERCENT WHICH PRODUCES AN ANNUALIZED RATE OF PRICE INCREASE OF 4.7 PERCENT. THIS HAS BROUGHT THE 12-MONTH RATE OF INCREASE DOWN TO 13.0 PERCENT IN NOVEMBER FROM 17.6 PERCENT IN JULY. THE DECELERATION OF THE 12-MONTH GROWTH IN RETAIL PRICES TO THE GOVERNMENT'S 13 PERCENT TARGET ONE MONTH EARLY SUGGESTS THAT THE 12-MONTH GROWTH TO DECEMBER MAY EVEN BETTER THE GOVERNMENT'S FORECAST. IT SEEMS INCREASINGLY LIKELY THAT SINGLE DIGIT INFLATION WILL BE REACHED EARLY IN 1978 WITH THE RATE OF PRICE INCREASE CONTINUING TO DECELERATE FOR A TIME.

AS NOTED IN PREVIOUS CABLES IN THIS SERIES, THE MARK-
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ED IMPROVEMENT IN PRICE PERFORMANCE OWES MUCH TO A STRENGTHENING EXCHANGE RATE COUPLED WITH VERY SLACK PUBLIC AND PRIVATE SECTOR CONSUMER DEMAND. THE EFFECTS OF THE APPRECIATING POUND AND SLACK DEMAND ARE LIKELY TO PERSIST INTO THE FIRST HALF OF 1978 AFTER WHICH CHANGES IN FISCAL POLICY AND THE PATTERN OF PAY SETTLEMENTS ARE LIKELY TO DETERMINE THE RATE OF MONTHLY PRICE INCREASES.

4. THE BANK OF ENGLAND ANNOUNCED THAT STERLING M3, THE MOST CLOSELY WATCHED OF THE LARGE MONETARY AGGREGATES, INCREASED 0.68 PERCENT (S.A.) IN THE BANKING MONTH ENDED NOVEMBER 16, AFTER INCREASING 1.76 PERCENT IN THE BANKING MONTH ENDED OCTOBER 19. THE NOVEMBER STERLING M3 INCREASE BRINGS ITS RATE OF GROWTH SINCE MID-APRIL TO ABOUT 7-1/2 PERCENT OR AN ANNUAL RATE OF JUST UNDER 13-1/2 PERCENT.

M1 GREW 1.58 PERCENT IN THE BANKING MONTH TO NOVEMBER

16, AFTER GROWING 2.2 PERCENT THE PREVIOUS MONTH. THE ANNUALIZED RATE OF GROWTH OF M1 SINCE MID-APRIL IS ABOUT 14-1/2 PERCENT.

THESE STATISTICS EXCLUDE, HOWEVER, SOME COMPONENTS OF STERLING M3. THE BOE ACKNOWLEDGES THAT SOME PUBLIC SECTOR DEPOSITS WERE MADE THROUGH THE INTERBANK MARKET AND IMPROPERLY CLASSIFIED AS INTERBANK TRANSACTIONS (WHICH ARE NOT INCLUDED IN STERLING M3). THE BOE BELIEVES THAT THESE DEPOSITS WILL BE RUN OFF BY MID-JANUARY AND "SHOULD REMAIN EXCLUDED FROM THE STATISTICS OF THE MONEY STOCK SO AS TO AVOID OBSCURING THE UNDERLYING TREND." IF THE DEPOSITS HAD BEEN INCLUDED, STERLING M3 WOULD HAVE GROWN 1-1/2 PERCENT IN THE NOVEMBER BANKING MONTH AND 8-1/2 PERCENT SINCE MID-APRIL.

5. DOMESTIC CREDIT EXPANSION ROSE 290 MILLION POUNDS IN THE MONTH TO NOVEMBER 16. THE MODIFICATION OF INTERVENTION POLICY HALFWAY THROUGH THE MONTH REDUCED INFLOWS INTO THE PRIVATE SECTOR BELOW WHAT THEY HAD BEEN IN RE-UNCLASSIFIED

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CENT MONTHS JUST AS IT HAD RESTRICTED THE GROWTH OF THE MONETARY AGGREGATES.

THE MONETARY STATISTICS MAY BE SUMMARIZED:

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	POUNDS MILLIONS	
	OCTOBER 19	NOVEMBER 16
STERLING M3 (S.A.)	42,890	43,180
TOTAL M3 (S.A.)	46,880	46,920
M1 (S.A.)	21,560	21,900
PUBLIC SECTOR BORROWING RE- QUIREMENT LESS PURCHASES OF PUBLIC SECTOR DEBT BY THE NON-BANK PUBLIC (S.A.)	-444	-81
STERLING LENDING TO THE PRIVATE SECTOR (S.A.)	597	339

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BANK LENDING IN STERLING

OVERSEAS (S.A.)	146	31
DCE (S.A.)	229	289

6. PRICES IN THE GILT MARKET ADVANCED STRONGLY THIS WEEK, BRINGING LONG-TERM REDEMPTION YIELDS DOWN AROUND 1/3 PERCENT. VOLUME THROUGH TUESDAY WAS GOOD AND MARKET SOURCES INDICATE THAT FOREIGN BUYING WAS CLEARLY PRESENT, COINCIDING WITH UPWARD PRESSURE ON STERLING. THE BUYING PRESSURE IN GILTS TOOK FUNDS OUT OF THE DISCOUNT MARKET AND THE BANK OF ENGLAND WAS SAID TO HAVE GIVEN EXCEPTIONAL ASSISTANCE TO THE DISCOUNT HOUSES TO RELIEVE THEIR SHORTAGES. MARKET SOURCES INDICATE, HOWEVER, THAT FINANCIAL INSTITUTIONS SHOULD BE BUILDING UP LIQUIDITY, FOR EXAMPLE THROUGH JANUARY DIVIDEND RECEIPTS, AND SO ANTICIPATE THAT THE MARKET STRENGTH WILL CARRY INTO THE NEW YEAR.

7. ON FRIDAY, AN 800 MILLION-POUND LONG-TERM GILT WAS ANNOUNCED, THE 10-1/2 PERCENT TREASURY 1999. IT IS PRICED AT 95 POUNDS PER 100 POUNDS NOMINAL VALUE, IMPLYING A GROSS REDEMPTION YIELD OF 11.107 PERCENT, ALTHOUGH THE PRICE IS TO BE PAID IN INSTALLMENTS. FIFTEEN POUNDS IS TO BE PAID AT THE APPLICATION DECEMBER 22, 40 POUNDS ON JANUARY 9, AND ANOTHER 40 POUNDS ON FEBRUARY 6. THE MAR-

KET APPEARED TO RESPOND FAVORABLY TO THE ANNOUNCEMENT. MARKET SOURCES AT FIRST SUGGESTED THAT IT WOULD BE OVER-SUBSCRIBED, BUT A SMALL EASING OF A THIN MARKET WEDNESDAY, ON PROFIT-TAKING, SUGGESTED THAT ALTHOUGH APPLICATIONS WILL BE STRONG, THERE COULD BE A TAP STOCK ON TUESDAY.

8. INVESTMENT REVIEW -- WILSON COMMITTEE. THE COMMITTEE TO REVIEW THE FUNCTIONING OF FINANCIAL INSTITUTIONS CHAIRED BY SIR HAROLD WILSON HAS ISSUED AN INTERIM PROGRESS UNCLASSIFIED

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REPORT SUMMARIZING THE NATURE OF THE EVIDENCE IT HAS RECEIVED AND INDICATING THE DIRECTION OF ITS FUTURE WORK. THE MAIN THEME OF THE EVIDENCE IS THAT LOW PRODUCTIVITY, LOW PROFITABILITY, LOW DEMAND AND PROBLEMS CAUSED BY GOVERNMENT POLICIES BETTER EXPLAIN BRITAIN'S POOR INDUSTRIAL PERFORMANCE THAN DOES A SHORTAGE OF INVESTIBLE FUNDS. THIS WAS A PREDICTABLE CONCLUSION GIVEN THE CHARACTER OF THE FINANCIAL AND INDUSTRIAL INSTITUTIONS SUBMITTING EVIDENCE. EQUALLY PREDICTABLY, MORE CRITICAL VIEWS CAME FROM ORGANIZED LABOR AND THE LABOR PARTY'S NATIONAL EXECUTIVE COMMITTEE WHOSE EVIDENCE CONCLUDED THAT PUBLIC DIRECTION OF FUNDS INTO INDUSTRY WAS NEEDED TO REBUILD BRITISH INDUSTRY. THE WILSON COMMITTEE WILL CONTINUE ITS WORK DURING 1978 FOCUSING ITS ATTENTION MORE NARROWLY ON THOSE AREAS THAT HAVE PRODUCED CONFLICTING EVIDENCE. IN ADDITION, THERE IS A STATED INTENTION TO:

- EXPLORE THE INFLUENCE OF NORTH SEA OIL BENEFITS ON THE AVAILABILITY OF INVESTMENT RESOURCES FOR BOTH THE PUBLIC AND PRIVATE SECTORS;
- ESTABLISH THE SCALE AND PROBABLE AVAILABILITY OF FUNDS TO FINANCE THE GOVERNMENT'S INDUSTRIAL STRATEGY;
- ESTABLISH WHETHER INVESTMENT AND THE ASSOCIATED SAVINGS WILL BE FORTHCOMING USING EXISTING INSTITUTIONS OR WHETHER CHANGES WILL BE REQUIRED.

9. H.M. TREASURY ANNOUNCED TODAY A MODEST LIBERALIZATION OF ITS EXCHANGE CONTROL REGULATIONS. THE REGULATION THAT REQUIRES THAT 25 PERCENT OF THE LIQUIDATION PROCEEDS OF A FOREIGN CURRENCY SECURITY BE CONVERTED INTO STERLING THROUGH THE OFFICIAL FOREIGN EXCHANGE MARKET, FOREGOING THE INVESTMENT CURRENCY PREMIUM, WILL BE ABOLISHED JANUARY 1. OTHER MEASURES APPLY ONLY TO EEC COUNTRIES. THESE INCLUDE INCREASING THE AVAILABILITY OF FOREIGN EXCHANGE, FREE OF PAYING THE INVESTMENT CURRENCY PREMIUM, FOR DIRECT INVESTMENT IN EEC COUNTRIES, AND FOR REOAVING FOREIGN EX- UNCLASSIFIED

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CHANGE BORROWINGS THAT ARE USED TO PURCHASE SECURITIES IS-
SUED BY CERTAIN EEC BODIES. THE LIMITS ON PERSONAL CAOI-

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TAL MOVEMENTS INVOLVING EMIGRATION, CASH GIFTS AND DOWRIES
"IN AN EEC CONTEXT" WITH ALSO BE RAISED. HMT ESTIMATES
THAT
THE 25 PERCENT SURRENDER RULE INCREASES NET CAPITAL IN-
FLOWS BY 200 MILLION POUNDS A YEAR BUT WILL NOT PROFFER
ESTIMATES ON THE BALANCE OF PAYMENTS IMPACT OF THE OTHER
MEASURES (SEE SEPTTEL FOR FURTHER DETAILS).

10. STERLING ENJOYED SUBSTANTIAL GAINS, BUT IN AN EXTREMELY THIN MARKET OVER THIS WEEK. ONE DEALER SAID THAT A PRICE WAS GOOD FOR A MILLION DOLLARS THEN IT WOULD
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SHIFT THIRTY POINTS. NONETHELESS, STERLING GAINED 4 CENTS ON THE WEEK AND ABOUT 1.7 PERCENT ON ITS EFFECTIVE (TRADE WEIGHTED) EXCHANGE RATE. THE FINANCIAL PRESS ATTRIBUTED THE RISE TO GOOD NEWS ON INDUSTRIAL RELATIONS, INFLATION, AND BALANCE OF PAYMENTS. MARKET SOURCES NOTED THAT ALTHOUGH ONE WOULD EXPECT THE ANNOUNCEMENT OF FOREIGN EXCHANGE CONTROL LIBERALIZATION TO DEPRESS STERLING, IT IN FACT HAD A PSYCHOLOGICAL IMPACT OF INCREASING CONFIDENCE THUS BENEFITING STERLING IN THE MARKETS.

11. GROSS DOMESTIC PRODUCT. INCOME AND OUTPUT BASED GDP ROSE IN THE THIRD QUARTER WHILE THE EXPENDITURE BASED INDEX DECLINED. THE FOLLOWING TABLE SUMMARIZES THE MOST RECENT QUARTERLY GDP DATA: (1970 EQUALS 100)

	EXPENDITURE	INCOME	OUTPUT	AVERAGE
1975 - III	107.4	106.2	106.6	106.7
IV	108.2	106.8	107.1	107.4
1976 - I	112.6	109.5	108.5	110.2
II	110.6	109.6	108.6	109.6
III	111.3	109.5	108.5	109.8
IV	112.1	110.2	110.1	110.8
1977 - I	110.2	108.8	110.4	109.8
II	111.3	109.1	109.2	109.9
III	110.2	109.2	110.0	109.8

	EXPENDITURE	INCOME	OUTPUT	AVERAGE
1975 - III	-5.3	-5.3	-4.3	-5.0
IV	-1.8	-3.9	-2.5	-2.7
1976 - I	0.9	1.3	-0.9	0.7
II	1.2	2.0	1.0	1.4
III	3.6	3.1	1.8	2.9
IV	3.6	3.2	2.8	3.2
1977 - I	-2.1	-0.6	1.7	0.2

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II	0.6	-0.5	0.6	0.1
III	-1.0	-0.3	1.4	-0.9

THE THIRD QUARTER DROP IN THE EXPENDITURE-BASED MEASURE WAS LARGELY CAUSED BY A 97 MILLION POUND (1970 PRICES) DECLINE IN THE VALUE OF INVENTORIES. THIS DROP (0.8 PERCENT OF GDP AT FACTOR COST) CAME ON THE HEELS OF A 382

MILLION POUND RISE IN STOCKS (1.6 PERCENT OF GDP) DURING
THE FIRST 2 QUARTERS OF 1977. THIS AGREES WITH THOSE WHO
CHARACTERIZED THE RISE AS INVOLUNTARY. CHANGES IN THE
OTHER EXPENDITURE AGGREGATES BETWEEN THE SECOND AND THIRD
QUARTERS OF 1977 ARE SET OUT BELOW:

	PERCENT CHANGE	
	1977-III/ 1976-III	1977 I-III/ 1976 I-III
CONSUMER EXPENDITURE	1.5	-1.0
GOVERNMENT EXPENDITURE	-0.5	-0.7
GROSS DOMESTIC FIXED INVESTMENT	0.0	-7.8
EXPORTS OF GOODS AND SERVICES	1.9	7.9
FINAL EXPENDITURE	-0.6	0.6
IMPORTS OF GOODS AND SERVICES	-1.2	5.9
GDP AT FACTOR COST	-0.7	-0.8

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THIS TABLE IS NOTABLE FOR THE DECLINES IN BOTH FIXED INVESTMENT AND CURRENT GOVERNMENT EXPENDITURE. THE DECLINE IN THE FORMER WAS CAUSED BY A GREATER THAN PLANNED DECLINE IN PUBLIC SECTOR INVESTMENT AND THE LATTER BY THE MORE EFFECTIVE THAN ANTICIPATED OPERATION OF CASH LIMITS ON CURRENT PUBLIC SPENDING. THIS HAS PRODUCED A SITUATION WHERE FISCAL POLICY HAS BEEN TIGHTER THAN PLANNED DURING 1977.

THE INCOME-BASED DATA SHOW A CONTINUING IMPROVEMENT IN THE RELATIVE SHARE OF GROSS TRADING PROFITS ADJUSTED FOR INVENTORY APPRECIATION. BETWEEN THE SECOND AND THIRD UNCLASSIFIED

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QUARTERS GROSS PROFITS ROSE 22.3 PERCENT WHILE THEIR SHARE IN GDP INCREASED FROM 8.1 TO 9.7 PERCENT. IT IS ILLUSTRATIVE TO SEE THE CHANGING POSITION OF ADJUSTED GROSS PROFITS (AT CURRENT PRICES) OVER THE PAST TWO YEARS:

	PERCENT CHANGE FROM 12 MONTHS EARLIER	PERCENT CHANGE FROM 3 MONTHS EARLIER	PERCENT SHARE OF GDP
1976 - I	43.6	2.5	6.5
II	26.5	1.9	6.5
III	24.8	-3.8	6.0
IV	24.2	23.6	7.2
1977 - I	30.8	7.9	7.6
II	42.3	10.9	8.1
III	80.9	22.3	9.7

TO PUT THESE FIGURES INTO PERSPECTIVE, THE SHARE OF PROFITS IN GDP IN THE MID-1960'S WAS OF THE ORDER OF 12-13 PERCENT. THE THIRD QUARTER RISE IN PROFITS WAS ACCOMPANIED BY A MARKED SLOWING IN INVENTORY APPRECIATION AS INFLATION EASED. IN ADDITION, THE LEVEL OF THIRD QUARTER PROFITS MAY HAVE BENEFITED FROM THE DELAYING OF SCHEDULED WAGE SETTLEMENTS. AS A RESULT, FOURTH QUARTER ADJUSTED PROFITS SHOULD BE SOMEWHAT LESS BUOYANT.

THE RISE IN THE OUTPUT-BASED INDEX WAS VIRTUALLY ALL DUE TO A BUMPER HARVEST AND INCREASED ACTIVITY IN THE DISTRIBUTIVE TRADES. INDUSTRIAL PRODUCTION ACTUALLY FELL BY 0.5 PERCENT DURING THE THIRD QUARTER.

12. EXCHANGE RATE AND GOLD EFFECTIVE

	EXCHANGE RATE		
DATE	EXCHANGE (DEC. 1971 RATE (\$ EQUALS 100)	GOLD (\$)	
12/14	1.8475	63.4	160-1/8
12/15	1.8465	63.6	158-7/8

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12/16	1.8550	63.7	160-3/8
12/19	1.8735	64.1	160-3/8
12/20	1.8805	64.5	159-5/8

CHANGE 12/13-12/20 UP 0.0400 UP 1.1 UP 2

13. FORWARD PREMIUM ON STERLING

DATE	1 MONTH	3 MONTHS	6 MONTHS
12/14	- 0.05	0.00	- 0.05
12/15	0.02	0.05	- 0.05
12/16	0.08	0.08	0.09
12/19	0.05	0.13	0.15
12/20	0.05	0.17	0.20

CHANGE 12/13-12/20 UNCHANGED UP 0.05 UP 0.08

(ALL FIGURES IN CENTS)

14. EURODOLLAR INTEREST RATES

DATE	1 MONTH	3 MONTHS	6 MONTHS
12/14	7	7-1/8	7-1/2
12/15	7	7-1/8	7-1/2
12/16	6-15/16	7-3/16	7-9/16
12/19	7	7-1/8	7-1/2
12/20	7/1/8	7-1/8	7/1/2

CHANGE 12/13-12/20 UP 1/8 UNCHANGED UNCHANGED

15. THREE-MONTH LONDON INTERBANK - EURODOLLAR INTEREST
RATE DIFFERENTIAL

DATE	
12/14	- 3/8
12/15	- 3/8
12/16	- 1/2
12/19	- 7/16
12/20	- 11/32

CHANGE 12/13-12/20 UP 3/32

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NNN

UNCLASSIFIED

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ACTION EUR-12

INFO OCT-01 EA-12 IO-14 ISO-00 AID-05 CEA-01 CIAE-00

EB-08 FRB-01 INR-07 NEA-10 NSAE-00 USIA-15

OPIC-06 SP-02 LAB-04 SIL-01 AGRE-00 OMB-01 SS-15

STR-05 NSC-05 /125 W

-----124264 221109Z /11

P R 211806Z DEC 77

FM AMEMBASSY LONDON

TO SECSTATE WASHDC PRIORITY 1515

TREASURY DEPT WASHDC PRIORITY

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY DUBLIN

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

AMCONSUL BELFAST

AMCONSUL EDINBURGH

USMISSION GENEVA

USDOC WASHDC

UNCLAS SECTION 06 OF 06 LONDON 20742

16. STERLING CERTIFICATES OF DEPOSIT

DATE	1 MONTH	3 MONTHS	6 MONTHS
12/14	6-23/32	6-23/32	6-31/32
12/15	6-11/16	6-11/16	6-15/16
12/16	6-11/16	6-11/16	6-7/8
12/19	6-11/16	6-11/16	6-27/32
12/20	6-7/8	6-3/4	6-13/16
CHANGE 12/13-12/20 UP 1/4 UP 1/8 DOWN 1/16			

17. INTERPOLATED REDEMPTION YIELDS OF HIGH COUPON GOVERN- UNCLASSIFIED

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MENT SECURITIES

DATE	5 YEARS	15 YEARS	25 YEARS
12/14	10.19	11.46	11.52
12/15	10.27	11.43	11.48
12/16	10.18	11.38	11.43
12/19	10.00	11.25	11.31
12/20	10.02	12.21	11.27
CHANGE 12/13-12/20 DN. 0.19 DN. 0.34 DN. 0.33			

18. THE MINIMUM LENDING RATE CONTINUED TO BE 7 PERCENT AFTER FRIDAY'S TREASURY BILL AUCTION. THE AVERAGE TREASURY BILL RATE ROSE 0.0574 PERCENT TO 6.3958 PERCENT AS 1,057.18 MILLION POUNDS IN BIDS WERE RECEIVED FOR THE 300 MILLION POUNDS IN BILLS OFFERED. THIS WEEK 450 MILLION POUNDS IN BILLS WILL BE OFFERED AS 400 MILLION POUNDS MATURE.

BREWSTER

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INFLATION, UNEMPLOYMENT
Control Number: n/a
Copy: SINGLE
Sent Date: 21-Dec-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977LONDON20742
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770476-1045
Format: TEL
From: LONDON USEEC
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19771232/aaaabaou.tel
Line Count: 712
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 1f2d16ff-c188-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 13
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 11-Feb-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 160407
Secure: OPEN
Status: NATIVE
Subject: ECONOMIC DEVELOPMENTS FOR PERIOD DEC. 15-21 SUMMARY: INFLATION CONTINUED TO EASE IN NOVEMBER WHILE UNEMPLOYMENT REMAINS ON A PLATEAU AT 6.0 PERCENT.
TAGS: ECON, UK
To: STATE TRSY
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/1f2d16ff-c188-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009